

## Message Text

CONFIDENTIAL

PAGE 01 AMMAN 04059 01 OF 02 201350Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----128872 201451Z /42  
R 201301Z JUL 77  
FM AMEMBASSY AMMAN  
TO SECSTATE WASHDC 2423

C O N F I D E N T I A L SECTION 1 OF 2 AMMAN 4059

EXDIS

FOR ATHERTON AND WHEELER FROM PICKERING

E.O. 11652: GDS  
TAGS: EAID, JO, US  
SUBJECT: FY 1979 JORDAN ABS REVIEW

REF: STATE 164825

1. REF SUMMARIZES THERESULTS OF AID/W REVIEW OF OUR FY 1979 ANNUAL BUDGET SUBMISSION AND GIVES PARTICULAR ATTENTION TO THREE CENTRAL ISSUES INVOLVED IN OUR PROGRAM OF ECONOMIC ASSISTANCE TO JORDAN: THE OVERALL LEVEL, BUDGET SUPPORT AND PROPOSED MAQARIN AND POTASH PROJECTS.

2. WHILE I AM GRATIFIED THAT AID/W HAS HAD SUCH COMPREHENSIVE DISCUSSIONS OF THE PROPOSED PROGRAM FROM THE ECONOMIC AND DEVELOPMENT POINT OF VIEW, AND CONCUR WITH THE DECISION FOR AID/NE TO PREPARE AN OPTIONS PAPER FOR HIGH LEVEL CONSIDERATION DECISIONS, I THINK THAT IT IS VERY IMPORTANT FOR POLITICAL CONSIDERATIONS TO BE ADDED TO THIS PAPER IN THE COURSE OF ITS PREPARATION RATHER THAN AT A LATER STAGE.

3. AS AN EXAMPLE OF THE PROBLEMS THAT FLOW FROM A PURELY ECONOMIC ANALYSIS, REF REPORTS THE DOMINANT AID/NE OPINION THAT US BUDGET SUPPORT IS UNNECESSARY  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 AMMAN 04059 01 OF 02 201350Z

AND THE GOJ SHOULD BE ASKED TO CONSIDER GIVING UP US BUDGET SUPPORT AS THE PRICE OF SUBSTANTIAL FUNDING FOR MAQARIN AND POTASH. THE VIEW THAT US BUDGET SUPPORT IS UNNECESSARY COMPLETELY IGNORES THE COMPELLING POLITICAL RATIONALE FROM THE US POINT OF VIEW WHICH HAS BEEN THE PRIMARY REASON FOR PROVIDING THIS SORT OF ASSISTANCE. I BELIEVE THAT THE SUGGESTION THAT THE

GOJ SHOULD BE ASKED TO "TRADE" BUDGET SUPPORT FOR AID TO THE MAQARIN AND POTASH PROJECTS TOTALLY FAILS TO REFLECT THE BUDGET SQUEEZE FACED BY THE GOJ AND THE POLITICAL IMPORTANCE WE ATTACH TO THE PROGRAM IN OUR EFFORT TO REINFORCE OUR PEACE STRATEGY STABILITY AND MODERATION IN THIS PART OF THE WORLD. NOT BEING ABLE TO RECEIVE SOME SIGNIFICANT LEVEL OF BUDGET ASSISTANCE FROM THE US TO COUNTERBALANCE SIMILAR SUPPORT FROM ARAB STATES MEANS JORDAN IS PLACED FOR ITS FUTURE ECONOMIC STABILITY AT THE MERCY OF THOSE STATES. SIMILARLY, REJECTION OF ADDITIONAL 50,000 TONS OF PL-480 WHEAT REQUEST IGNORES NOT ONLY POLITICAL RATIONALE BUT ALSO REAL GOJ NEEDS AS A RESULT OF A SERIOUS DROUGHT-INDUCED SHORTFALL IN WHEAT HARVEST. RECOMMENDED ELIMINATION OF \$3.5 MILLION DEVELOPMENT GRANT FOR FARMER'S ASSOCIATION ALSO UNDERCUTS OUR MAJOR LEVERAGE POINT IN PROMOTING SOCIAL PROGRESS IN JORDAN VALLEY AND, BY EXTENSION OF CONGRESSIONAL MANDATE OF HELPING POOR MAJORITY.

4. AS YOU KNOW, I INSTITUTED AND HAVE FAVORED PROGRESSIVE REDUCTION OF BUDGET SUPPORT AND THE JORDANIANS HAVE ACCEPTED THIS APPROACH. I HAVE, HOWEVER, ALSO MADE IT CLEAR TO THE DEPARTMENT/AID THAT, UNPALATABLE AS IT MAY SEEM, I BELIEVE THERE IS SOME PLATEAU LEVEL FOR BUDGET SUPPORT BELOW WHICH WE CANNOT DROP WITHOUT TAKING UNACCEPTABLE  
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 AMMAN 04059 01 OF 02 201350Z

POLITICAL RISKS. FOR FY 1979 I RECOMMEND \$38 MILLION, WITH A DROP TO \$30 MILLION IN SUCCEEDING YEARS. THIS IS STILL MY CONSIDERED VIEW. IN ECONOMIC TERMS, ALSO, IT WOULD SURELY NOT BE IN OUR OR THE JORDANIAN INTERESTS TO SEE THE JORDANIANS (AS SUGGESTED IN REF) EAT UP THEIR FOREIGN EXCHANGE HOLDINGS TO REPLACE BUDGET SUPPORT; THE RESULT WOULD PRODUCE A WEAKENED AND SHAKY CURRENCY, AND A DROP IN BUSINESS AND DONOR CONFIDENCE, ALL OF WHICH WORK AGAINST OUR POLITICAL INTERESTS AS WELL AS OUR DEVELOPMENT EFFORTS. IT SHOULD ALSO BE KEPT IN MIND THAT ALL DEVELOPMENT LENDING IMPLIES COMPLIMENTARY DINAR EXPENDITURES ON THE PART OF THE GOJ, I.E. INCREASES IN THAT PART OF THE BUDGET TO WHICH WE CONTRIBUTE BUDGET SUPPORT. PRECIPITATE REDUCTION OF OUR BUDGET SUPPORT WOULD INCREASE STRAIN ON GOJ'S ABILITY TO MEET CURRENT BUDGET OBLIGATIONS AND (INCREASING) DINAR EXPENDITURES ASSOCIATED WITH DEVELOPMENT LOANS.

5. AID/NE'S APPROACH TO OVERALL AID LEVELS FOR JORDAN AND TO TH MAQARIN AND POTASH PROJECTS SUFFERS EQUALLY FROM EXCLUSION OF THE POLITICAL FACTOR.

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 AMMAN 04059 02 OF 02 201448Z  
ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W  
-----129639 201532Z /45

R 201301Z JUL 77  
FM AMEMBASSY AMMAN  
TO SECSTATE WASHDC 2424

C O N F I D E N T I A L SECTION 2 OF 2 AMMAN 4059

EXDIS

THE ASSUMPTION SEEMS TO BE THAT THE OVERALL LEVEL IS FIXED BY SOME IMMUTABLE LAW AT \$77.5 MILLION OR, AT THE MOST, \$93 MILLION AND ADDITION OF POTASH OR MAQARIN MEANS SUBTRACTION OF WATER FOR AMMAN. POTASH AND MAQARIN ARE NOT JUST RUN-OF-THE-MILL DEVELOPMENT PROJECTS DESIGNED SOLELY TO CONFER ECONOMIC BENEFITS ON JORDAN. IN DIFFERENT WAYS, THEY OFFER UNIQUE OPPORTUNITIES TO CONTRIBUTE TO A BROAD POLITICAL SETTLEMENT IN THE MIDEAST. THEY ARE BOTH REplete WITH CROSS-BOUNDARY IMPLICATIONS AND SERVE AS WELL AS EARNEST OF JORDAN'S GOOD INTENTIONS IN MAINTAINING STABILITY ALONG THE CRUCIAL BORDER REGION. AT A TIME WHEN ISRAELIS ARE PREOCCUPIED WITH SECURITY ISSUES, THE IMPLICATIONS OF THESE PROJECTS (ON A PARALLEL WITH THE SUEZ CANAL CITIES) CANNOT BE IGNORED.

6. AS THE DEPARTMENT KNOWS, POSSIBILITY EXISTS FOR JORDAN AND ISRAEL UNDER PROPER POLITICAL CONDITIONS TO SET UP A QUIET EXCHANGE OF TECHNICAL INFORMATION ON POTASH, WHICH WOULD BE ONE OF THE FIRST EXAMPLES OF TRUE NORMALIZATION OF RELATIONS IN THIS AREA.

7. MAQARIN HAS EVEN GREATER POLITICAL SIGNIFICANCE BECAUSE IT WOULD DIRECTLY BENEFIT ISRAEL, JORDAN AND THE WEST BANK. THE PROCESS OF PROJECT PREPARATION HAS  
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 AMMAN 04059 02 OF 02 201448Z

ALREADY PERMITTED THE USG TO PLAY A HIGHLY CONSTRUCTIVE ROLE DESIGNED TO BRING ABOUT A LOW-KEY BUT STILL OFFICIAL RECOGNITION BY JORDAN AND ISRAEL OF MUTUAL RIGHTS TO THE WATERS OF THE YARMOUK RIVER. CONSTRUCTION OF THE DIVERSION WEIR POSSIBLY AS EARLY AS 1978 WOULD IMMEDIATELY CONFER TANGIBLE BENEFITS TO BOTH PARTIES AND CONSTRUCTION OF THE DAM WOULD MOVE A LONG WAY IN THE DIRECTION OF A RETURN TO THE JOHNSTON PLAN APPROACH THAT EMBASSY TEL AVIV SUGGESTS BEGIN MAY PROPOSE IN HIS CURRENT WASHINGTON TALKS.

8. MY TALKS WITH RECENT CODELS INDICATE THAT THE CONGRESS MIGHT WELL BE WILLING TO APPROVE MAQARIN AS A REGIONAL RATHER THAN BILATERAL PROJECT, WHICH WOULD AVOID THE PROBLEM OF ENLARGING THE ECONOMIC AID LEVEL FOR JORDAN TO THE POINT WHERE IT MIGHT BRING INTO PLAY THE PRINCIPLE OF PROPORTIONALITY FOR OTHER RECIPIENT CONFRONTATION STATES. INDEED, CODEL HAMILTON SUGGESTED THIS PROCEDURE TO US AND INDICATED A WIDE DEGREE OF SUPPORT FOR IT. IN THE CASE OF POTASH, WHERE WE ARE TALKING ABOUT \$40-50 MILLION TOTAL FROM THE US, IT WOULD BE POSSIBLE TO ABSORB THOSE COSTS IN THE FY 1979 BILATERAL PROGRAM BY RAISING THE LEVEL FOR THAT YEAR TO ABOUT \$120 MILLION. NONE OF THE RECENT CODELS VISITORS AFTERQUESTIONING US ON WHAT JORDAN HAD ASKED FOR IN WAY OF SUPPORT, SUGGESTED THAT THAT AMOUNT OF ONE-TIME INCREASE WOULD CAUSE INSUPERABLE PROBLEMS.

9. WE HAVE DESIGNED AN AID PROGRAM FOR FY 1979 FOR JORDAN THAT DELIBERATELY INCLUDES \$20.5 MILLION FOR WATER AND SEWAGE IN AMMAN BECAUSE WE FEEL LACK OF WATER IN THIS CROWDED URBAN AREA IN WHICH MANY REFUGEES NOW LIVE IS CLEARLY THE NUMBER ONE PROBLEM FOR THE

CONFIDENTIAL

PAGE 03 AMMAN 04059 02 OF 02 201448Z

URBAN DWELLERS WHO FORM ABOUT 70 PERCENT OF THE TOTAL POPULATION. PALESTINIANS FORM WELL OVER HALF THE POPULATION OF GREATER AMMAN AND I WOULD GUESS THREE QUARTERS OF THE PORTION OF THE POPULATION WHO NOW HAVE NO WATER DISTRIBUTION SYSTEM. IT SEEMS OBVIOUS THAT IT IS IN US AS WELL AS JORDANIAN BEST INTERESTS TO DO WHAT IS NECESSARY TO LESSEN THOSE MATERIAL GRIEVANCES OF PALESTINIANS THAT HEIGHTEN THEIR SENSE OF POLITICAL INJUSTICE. TO CONSIDER WATER FOR AMMAN AS JUST ANOTHER DEVELOPMENT PROJECT IS TO MISS THE POLITICAL POINT ENTIRELY.

10. IN SUMMARY, I HOPE VERY MUCH THAT THE DEPARTMENT WILL PARTICIPATE FULLY IN THE PROCESS OF PREPARATION OF THE OPTIONS PAPER FOR THE FY 1979 AID

PROGRAM FOR JORDAN AND ENSURE THAT FULL WEIGHT IS  
GIVEN TO THE POLITICAL CONSIDERATIONS I HAVE MENTIONED  
AND THAT IMAGINATION IS SHOWN IN DEVISING WAYS TO DO  
THESE POLITICALLY IMPORTANT PROJECTS WITHOUT GIVING  
UP OTHER EQUALLY IMPORTANT ACTIVITIES.  
PICKERING

CONFIDENTIAL

NNN

## Message Attributes

**Automatic Decaptioning:** Z  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, BUDGETS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 20-Jul-1977 12:00:00 am  
**Decaption Date:** 22 May 2009  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977AMMAN04059  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770257-1072  
**Format:** TEL  
**From:** AMMAN  
**Handling Restrictions:**  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19770740/aaaabigf.tel  
**Line Count:** 230  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** b73a0467-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION SS  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** EXDIS  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 5  
**Previous Channel Indicators:** n/a  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** EXDIS  
**Reference:** 77 STATE 164825  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 22-Mar-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 1811619  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FY 1979 JORDAN ABS REVIEW  
**TAGS:** EAID, JO, US  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/b73a0467-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009